

Wisconsin State Legislature

SENATE CHAIR
ALBERTA DARLING

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
ROBIN VOS

309 East, State Capitol
P.O. Box 8593
Madison, WI 53708-8953
Phone: (608) 266-9171

Joint Committee on Finance *100TH ANNIVERSARY 1911 - 2011*

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: September 16, 2011

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received September 16, 2011, pursuant to s. 16.515/16.505(2), Stats., on behalf of the Department of Justice.

Please review the material and notify **Senator Darling** or **Representative Vos** no later than **Wednesday, October 5, 2011**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:RV:jm



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

Date: September 16, 2011

To: The Honorable Alberta Darling, Co-Chair
Joint Committee on Finance

The Honorable Robin Vos, Co-Chair
Joint Committee on Finance

From: Mike Huebsch, Secretary *MH*
Department of Administration

Subject: s. 16.515/16.505(2) Request(s)

RECEIVED
SEP 16 2011

BY *St. Finance*

Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2011-12</u> <u>AMOUNT</u>	<u>FTE</u>	<u>2012-13</u> <u>AMOUNT</u>	<u>FTE</u>
DOJ 20.445(2)(gs)	Background check for licenses to carry concealed weapons	\$997,688 ¹	0.00 ¹	\$0	0.00

¹One-time expenditure authority under s. 20.445(2)(gs)-Background check for licenses to carry concealed weapons.

As provided in s. 16.515, the request(s) will be approved on October 9, 2011, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Carol Lynch at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

Date: September 8, 2011
To: Brian Hayes
From: Leah Wavrunek
Subject: Section 16.515/16.505(2) Request(s)

Attached is a s. 16.515/505(2) request analysis for your approval and processing. Listed below is a summary of each item:

DOA RECOMMENDATION:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2011-12</u>		<u>2012-13</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
Department of Justice 20.455(2)(gs)	Background check for licenses to carry concealed weapons	\$997,688*			

* One-time expenditure authority.

AGENCY REQUEST:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2011-12</u>		<u>2012-13</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
Department of Justice 20.455(2)(gs)	Background check for licenses to carry concealed weapons	\$997,688*			

* One-time expenditure authority.

BKH APPROVAL  (FORWARD TO CAROL LYNCH)



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

Date: September 8, 2011

To: Mike Huebsch, Secretary *MH*
Department of Administration

From: Leah Wavrunek
Executive Budget and Policy Manager

Subject: Request under s. 16.515 from the Department of Justice for increased expenditure authority for implementation of a concealed weapon licensing system.

REQUEST:

The Department of Justice requests increased expenditure authority of \$997,688 program revenue in fiscal year 2011-12. The requested expenditure authority is one-time funding.

REVENUE SOURCES FOR APPROPRIATION(S):

The revenue source for the funding under s. 20.455(2)(gs) *Background check for licenses to carry concealed weapons* will be license application fees and background check fees assessed to those who apply for a license to carry a concealed weapon. 2011 Wisconsin Act 35 authorizes the department to charge a fee of up to \$37 for the license application and a fee of \$13 for the background check.

BACKGROUND:

2011 Wisconsin Act 35 established a process to obtain a license to carry a concealed weapon. The law specifies the requirements for licensure and provides that the department may not impose conditions, limitations or requirements other than those expressly provided in the act. The department must issue a license to carry a concealed weapon to an individual who submits an application unless any of the following apply: the individual is less than 21 years of age; the individual is prohibited under federal or state law from possessing a firearm; the individual has been charged with a misdemeanor or a felony and the court has prohibited the individual from possessing a dangerous weapon as a condition of bail or release; the individual is not a Wisconsin resident; or the individual has not provided proof of training.

Act 35 also included several requirements for the department in implementing the concealed carry licensing process. The department is required to design a single

license document for carrying a concealed weapon, and the license must contain specified elements. The department must also design the application form, which must contain certain provisions relating to the law of self-defense and penalties for providing false information in the application. When the department receives an application it must conduct a background check to determine if the applicant is qualified under state and federal law to possess a firearm; if the department denies an application it must inform the applicant in writing, stating the reason for the denial. Generally, the department has 21 days from receiving the application to either issue a license or deny the application (except for the first five months after publication of the bill, when the department has 45 days). Wisconsin residents may begin applying for a concealed carry license on November 1, 2011.

ANALYSIS:

Act 35 was signed by the Governor on July 8, 2011, and substantially takes effect on November 1, 2011. The required licensing process is a new function for the department that does not currently exist; the department does not own equipment necessary to perform these necessary tasks. While Act 35 allows the department to contract with the Department of Transportation (DOT) to produce and issue license documents, DOT outsources the production of their drivers' licenses to an out-of-state vendor, who estimated a cost of \$1.5 million and timeline of six months to implement; this would take the department beyond the effective date for issuing licenses.

Based on research from other states, including neighbors of Wisconsin, the department estimates approximately 4.5 percent of the population will obtain a license, with the majority applying during the 2011-13 biennium, or approximately 256,000 people. Further, the department estimates that most of the licenses acquired during this biennium will be obtained during fiscal year 2011-12. After this initial surge of applications, the number of licenses will increase each subsequent year as more people turn 21 years of age and new people move to Wisconsin. Then, the high volume licensing process will replicate every five years when licenses are up for renewal. It is difficult to estimate the number of licenses that will be sought each year after this initial year, until more information is obtained on how many residents applied for a license when first available; the proportion of residents who obtain a license during the first year may assist in estimating the number of future annual applications.

Assuming that 4.5 percent of the Wisconsin population does apply for a license, with most of these coming in fiscal year 2011-12, the department could receive more than 100,000 applications during the next nine months. Moreover, the department has a limited time to review the applications and then either issue the license or deny the request. From November 1 through December 1, 2011, the department has 45 days to turn around a license request; after December 1 that time is reduced to 21 days. Due to these tight timelines, a high volume processing system is needed for the department to meet its statutory obligations under Act 35.

The department's request for increased expenditure authority includes the purchase of a high capacity license processing system. This equipment would print the licenses, laminate the licenses and prepare them for mailing, as well as print renewal notifications and prepare them for mailing, all without human intervention. By optimizing technology in this system, the need for personnel to perform these tasks is reduced, as well as the chance for error. The department submitted a request for bid on VendorNet and received one bid at \$918,536. The option to master lease for the equipment was pursued but over the life of a five-year master lease the estimated interest payments increased the price by \$151,000, which the department believes is an unnecessary expenditure in light of the anticipated revenue that will be received this fiscal year. Due to the size and functionality of the licensing equipment, additional work space is needed to avoid disrupting other work functions of the department. Adequate space was found within the Risser Justice Center, and the costs of this additional square footage (approximately 1,100 square feet) and infrastructure build out for the workspace are included in the request at \$40,092.

The other costs included in the request would fund card stock supplies, postage, printing, envelopes, mail bundling and post office box fees. These are all needed supplies to produce and mail the licenses and denial letters to applicants. Supplies and services costs needed for implementation total \$1,074,788. However, Act 35 authorized \$77,100 in fiscal year 2011-12 for supplies and services, leaving \$997,688 in requested expenditure authority.

Revenue to fund the request is based on the projected number of applications received in fiscal year 2011-12 and the fees charged to the applicants. As previously stated, other states researched by the department issued licenses to an average of 4.5 percent of their population. In Wisconsin, applying this average of 4.5 percent would equate to approximately 256,000 people; if half of these applied for a license in fiscal year 2011-12, that would be 128,000 licenses. The other half of the equation is the fees charged for the license and the background check. Act 35 sets a maximum license application fee of \$37, while the background check fee is set at \$13.

The department is currently developing an emergency administrative rule to set the license application fee. It is projected that sufficient revenues will be generated by the fees in fiscal year 2011-12 to cover this current request. However, it is also expected that the department will submit a future request for ongoing supplies and services costs, as well as positions, once it has a greater understanding of what the ongoing support needed for this program entails. One factor to consider in future requests will be the cyclical revenue collections that occur with a multi-year license, similar to what occurred when the Department of Natural Resources went to a three-year boat registration fee; one year will have higher revenues and the following years will see substantially lower revenues. These cyclical revenue cycles depend on cash balances from year one to support ongoing costs in the off years.

The department is charged with designing and implementing a comprehensive concealed carry licensing system by November 1. Large numbers of license applications are expected to be received this first fiscal year and the department does not currently possess the equipment necessary to fulfill this charge. The request would fund a high capacity license processing system capable of handling the large volume of applications, in addition to consumables such as card stock, postage and envelopes. Due to constraints on time, contracting with an outside vendor may mean the department misses the November 1 effective date. This is a reasonable request to enable departmental processes to be in place by the effective date and to ensure only those qualified applicants receive licenses to carry concealed weapons.

RECOMMENDATION:

Approve the request.



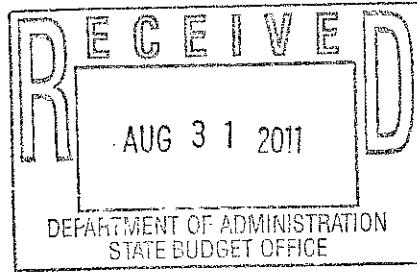
STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

LW
KG
BKH
Anal

J.B. VAN HOLLEN
ATTORNEY GENERAL

Kevin M. St. John
Deputy Attorney General

Steven P. Means
Executive Assistant



114 East, State Capitol
P.O. Box 7857
Madison, WI 53707-7857
608/266-1221
TTY 1-800-947-3529

Cindy O'Donnell
Administrator
Division of Management
Services
608/267-1300
TTY 1-800-947-3529
Fax 608/266-1656
odonnellc@doj.state.wi.us

August 30, 2011
AMENDED LETTER

Brian Hayes, Director
State Budget Office
Department of Administration
P.O. Box 7864
Madison, WI 53707-7864

Re: 2011 Wisconsin Act 35; Concealed Carry FY 2012 Increased Spending Authority

Dear Director Hayes:

Under sec. Wis. Stats. 16.515, the Department of Justice (DOJ) requests an increase of \$997,688 for FY 2012 in the Program Revenue appropriation under 20.455(2)(gs)—***Background check for licenses to carry concealed weapons***—to purchase equipment and infrastructure necessary to implement the licensing requirements of 2011 Wisconsin Act 35 (Act 35). Funds to support this request will come from licensing fee revenue received during the 2011-12 fiscal year. DOJ estimates approximately 125,000 requests will be processed during this time. A fee \$50 per application, as allowed by statute, will generate approximately \$5 million in revenue. These revenues will be used to cover the five year license and subsequent renewal period costs.

On July 22, 2011, Governor Walker signed into law Act 35 creating a process in which eligible residents can obtain a license to carry a concealed weapon. As specified in Act 35, DOJ is directed to design a form that Wisconsin residents will complete to apply for the license to carry a concealed weapon in our state. Each approved applicant must receive a DOJ-issued license that meets the requirements outlined in Wis. Stats. 175.60 (2)(m) within the strict legislative time parameters set by Wis. Stats. 175.60 (9)(b). For those applications received between November 1, 2011 and December 1, 2011, the law requires DOJ to review and either deny or issue a license within 45 days of receipt. Effective December 1, 2011, turnaround time is permanently reduced to **21 days**, placing a heavier burden on existing staff resources. Once approved, licenses are renewable every five years. DOJ will also issue certificates for concealed carry of firearms to eligible former federal law enforcement officers who reside in Wisconsin. These certificates are renewed annually and require the same licensing standards but without the 21-day turnaround time.

Research of similar program experiences in Iowa, Minnesota and seven other states indicates that DOJ could expect to issue licenses for as many as 256,500 citizens (4.5% of the current state population). It is anticipated that most of the applications will be received within the FY 2011-2013 biennium, with the largest surge occurring in FY 2012. DOJ expects the number of new licensees to grow each year as

more residents move to Wisconsin and/or become 21 years of age. The high-volume licensing process will replicate every five years as a result of renewals. In addition, DOJ anticipates producing 1,000 concealed carry certificates for former federal law enforcement officers in FY 2012.

Since enactment of Act 35 in July of this year, Department of Justice staff has worked vigorously to prepare for successful implementation of the new concealed carry license process. Production and distribution of physical licenses is a new function for the department. Consequently, DOJ does not have the equipment to perform the necessary tasks without the purchase of advanced technology. Although Act 35 allows DOJ to contract with the Department of Transportation (DOT) to create the licenses, DOT outsources its licensing process to an out-of-state vendor. This would place the database outside the control of DOJ, which could compromise the confidentiality of the records and conflict with the legislative intent of Wis. Stats. 175.60(12). In addition to the confidentiality issue, DOT's vendor estimated a program cost of \$1.5 million and six months to implement. The effective date of the statute is November 1, 2011, making this alternative both costly and outside the allowable time parameters of the law.

Act 35 authorized \$236,700 in FY 2012 for salaries and fringe benefits to fill one FTE position and 10 six-month LTE positions. DOJ projects that additional FTE positions will be necessary in the future to meet statutory obligations. A future request will be made after an initial program analysis is conducted.

Act 35 also authorized \$77,100 in FY 2012 for supplies and services. However, costs related to implementation of the application and licensing process system will far exceed that amount. In order for DOJ to purchase, install, and maintain the required equipment and expendable supplies necessary to produce the large volume of licenses expected within the required timeframes, additional spending authority will be necessary. To implement the statutory provisions of Act 35, DOJ requests additional spending authority of \$997,688 to purchase critical equipment and supplies, and to make the necessary infrastructure upgrades. The needed equipment and estimated cost is as follows:

<u>Item</u>	<u>Cost Estimate</u>
High Capacity License Processing System	\$ 918,536
Card Stock Supplies	\$ 54,100
Postage	\$ 55,000
Additional Annual Space Costs	\$ 25,592
Work Station Infrastructure Upgrade	\$ 14,500
Printing	\$ 3,000
Envelopes	\$ 2,500
Mail Bundling & P.O. Box Fee	\$ 1,560
TOTAL	\$ 1,074,788

The use of a high-capacity license processing system is essential to effectively achieve programmatic success. DOJ has researched equipment options that would adequately meet the anticipated license volume within the statutory time parameters. DOJ is confident this type of equipment is necessary, not only to implement Act 35, but to carry out the future license renewals, revocations, suspensions, and replacements that will occur. DOJ submitted a request for bid on VendorNet, which closed on 8/29/11. The sole bid returned for the high capacity license processing system is \$918,536.

Brian Hayes, Director
State Budget Office
Department of Administration

DOJ has explored the option of a five-year master lease with the Department of Administration (DOA) in lieu of an up-front appropriation to purchase a high-capacity license processing system. A master lease would cost an additional \$151,000 in interest payments over five years. This is an unnecessary expenditure in light of the anticipated revenue that will be accrued by virtue of the licensing fee.

If we are to effectively meet the statutory guidelines required under Act 35, production efficiency is paramount. This system will utilize technology to reduce personnel costs, as well as labor-intensive and time consuming processes, thereby allowing DOJ personnel to concentrate on application review, verification of training requirements, research and analysis of criminal justice record information, providing denial or incomplete information notices to applicants, and assisting applicants who may need help in completing the process.

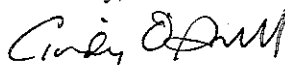
Although the high capacity processing system is efficient, equipment size and noise factors must be considered. The system requires roughly 1,000 square feet of segregated and secure work space to minimize interference with other work environments within the DOJ. Suitable space - sufficient to accommodate these factors - is available within the DOJ Risser Justice Center. This request includes \$40,092 for minor infrastructure upgrades and payment of annual rental costs to the DOA.

\$116,160 is needed for expected supply costs associated with the new system. Items such as card stock, envelopes, postage, printing, etc. will be needed to bring the system into full operation. The necessary supply items are based on vendor research and the current costs of consumable supplies, postage, and printing per state purchasing regulations and requirements.

The Department of Justice requests additional spending authority of \$997,688 in the PR annual appropriation under sec. 20.455 2(gs) for FY 2012. Approval of this request will allow us to proceed with implementation of Act 35 as authorized by the Legislature. Use of these funds will provide the critical equipment needed to produce and distribute the concealed carry licenses within the time constraints required by law. Although additional programmatic costs are anticipated for FY 2013, DOJ will continue to seek cost-saving and personnel efficiencies in order to be prudent stewards of public funds.

Questions should be directed to Brian O'Keefe, Administrator of our Division of Law Enforcement Services or to Bonnie Anderson, the Department's Budget and Finance Director.

Sincerely,



Cindy O'Donnell
Administrator

Cc: Brian O'Keefe
David Zibolski
Leah Wavrunek
Bonnie Anderson
Cindy Hoyt